GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:711
ANSWERED ON:18.07.2002
VIOLATION OF NORMS IN ARMY CONTRACT
RAMJI MANJHI;VSM (RETD.) COL. CHOUDHARY

Will the Minister of DEFENCE be pleased to state:

(a) whether attention of the Government has been drawn to the newsitem captioned `Government pulled up for norm violaltion in Army contract` appearing in `The Hindustan Times` dated June 15, 2002;

(b) if so, the facts of the matter reported therein;

(c) whether the Government have ordered an enquiry to establish the identity of the officials responsible for violation of laid down norms;

(d) if so, the action taken against the officials held responsible;

(e) whether the Ministry of Finance has issued any office Memorandum exempting the provision(s) of the General Financial Rules for the purchase of stores from Kendriya Bhandar/Super Bazar/NCCF only, irrespective of their higher rates than the open market;

(f) if so, the details thereof;

(g) the reasons for not giving credence to the OM;
(h) whether the Ministry of Finance also issued an OM in December, 1998 asking for tenders to be invited for purchases above Rs. 50,000/-;
(i) if not, the reasons for not inviting open tender for purchases of above Rs. 50,000/-; and
(j) the action taken by the Government in this regard?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (j): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (j) OF LOK SABHA UNSTARRED QUESTION NO. 711 FOR 18.7.2002

Government is aware of the news item captioned `Government pulled up for norm violation in Army contract` published in the Hindustan Times dated June 15, 2002. The report is based on the judgement delivered by High Court of Delhi on June 6, 2002 in Writ Petition No. 572 of 2002 - Ghadra Chemicals Ltd. Vs Union of India and Others.

2. The facts of the case are that Army Headquarters (Directorate General of Supplies and Transport) invited tenders for procurement of 50 kiloliters of Temephos 50%, an insecticide, against the requirement for the year 2002-2003 and the same were opened on 27.11.2001 by a Board of Officers. The price quotation received from three suppliers against the tender enquiry are as given below:-

(a) M/s Gharda Chemicals Ltd, Mumbai - Rs. 481.40 per litre

(b) M/s AgriMore Ltd, Atul, Gujarat - Rs. 503.00 per litire
(offered 5% free goods)

(c) M/s Ficom Organics Ltd., Mumbai - Rs. 610.52 per litre

3. The tenders were processed in the Directorate of Supplies and Transport who accepted the offer of discount offered by M/s AgriMore Ltd and recommended negotiation withM/s AgriMore Ltd., Atul, Gujarat being L-1.A duly constituted Price Negotiation

Committee negotiated the offer made by M/s AgriMore Ltd and accepted the net price of Rs. 479.05 per litre.

4. Aggrieved by the above decision of the Price Negotiation Committee, M/s Ghadra Chemicals Ltd, Mumbai filed Writ Petition No. 572 of 2002 in the High Court of Delhi who in its order dated 6.6.2002 did not accept the free offer by M/s AgriMore Ltd. as a discount offer. The Court, however, decided not to award the contract in favour of the petitioner. At the same time the Court has directed that the supplies already made by M/s Agrimore Ltd will not be rejected and that the firm shall not be allowed to supply any further material under the present supply order. The Court has also directed to call for a limited tender for the balance quantity of the material.

5. Further the High Court of Delhi has neither found any officer guilty nor has it suggested any enquiry in the matter and therefore there is no proposal to hold any enquiry.

6. The Government vide its order dated 14.7.1981 made it incumbent on all Central Government departments to make all local purchases of stationery and other items also from Kendriya Bhandar in relaxation of the procedure of inviting tenders/quotations prescribed in General Financial Rules (GFR).

7. As regards applicability of General Financial Rules to the Defence purchases it is clarified that Rule 99 of General Financial Rules provides for framing of Departmental regulations/rules/instructions by departments concerned which are responsible for large purchases, manufactures or consumption of stores. Accordingly, Defence Service Regulation-Financial Regulations have been framed and followed by Ministry of Defence. The procurement of Temephos 50% was done as per this Regulation and as per the laid down Standard Operating Procedure from manufacturers registered with the Directorate General of Quality Assurance (DGQA), Ministry of Defence and Central Insecticide Board (CIB), Faridabad.

8. As regards Office Memorandum issued by Ministry of Finance for purchase of stores above Rs. 50,000 through open tender as fixed in 1986, it has since been revised on 28th May 1999 to Rs. 2.00 lakh. The procurement of Temephos was done through open tender advertised in leading national dailies.